

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4564-01
BILL NO.: HB 2075
SUBJECT: Health Care Professionals; Medicaid; Nursing and Boarding Homes; Social Services Department
TYPE: Original
DATE: March 13, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$187,314,562)	(\$194,807,144)	(\$202,599,430)
Total Estimated Net Effect on <u>All</u> State Funds	(\$187,314,562)	(\$194,807,144)	(\$202,599,430)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Federal	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds*	\$0	\$0	\$0

*Cost savings and lost revenue of \$194.8 million annually would net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DOS)** state the proposal would have a fiscal impact on the department. DOS states that currently nursing facilities, except for state-owned and operated facilities, are assessed a fee for the privilege of doing business in the state. The fee is then used as the state match for federal funding which is used to reimburse nursing facilities for providing care to Medicaid recipients. The federal match rate for FY2001 is expected to be 61.03%.

DOS states the exemption of facilities that do not have a Medicaid provider agreement with DOS would cause the state to lose the federal funds generated by the assessment. The proposal would make the nursing facility reimbursement allowance program in violation of the broad-based provision of federal law (42 U.S.C. Section 1903.(3) (A)(B)). The assessment for FY2001 is estimated to be \$119.6 million; the federal dollars that would be lost if this proposal would pass would total \$187.3 million (\$119.6 million / .3897 state share = \$306.9 million total - \$119.6 million = \$187.3 million). DOS assumes the nursing home Medicaid reimbursement rates would not be reduced and that state funds would replace the federal funding. The funding needed for FY2002 would be \$194.8 million and \$202.6 million for FY2003. DOS assumes a four percent inflation rate for FY2002 and FY2003.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Cost - Department of Social Services</u>			
Medical assistance payments	<u>(\$187,314,562)</u>	<u>(\$194,807,144)</u>	<u>(\$202,599,430)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$187,314,562)</u>	<u>(\$194,807,144)</u>	<u>(\$202,599,430)</u>

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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FEDERAL FUNDS

Savings - Department of Social Services

Less medical assistance payments	\$187,314,562	\$194,807,144	\$202,599,430
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Loss - Department of Social Services

Medicaid reimbursements	<u>(\$187,314,562)</u>	<u>(\$194,807,144)</u>	<u>(\$202,599,430)</u>
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**ESTIMATED NET EFFECT ON
FEDERAL FUNDS**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government

FY 2001 (10 Mo.)	FY 2002	FY 2003
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Some small nursing homes would expect to the extent that they would incur savings and/or additional costs due to the requirements of this proposal.

DESCRIPTION

Current law requires nursing homes which are not owned and operated by the state to pay an assessment, the nursing facility reimbursement allowance. This proposal would exempt nursing facilities which do not have a Medicaid provider agreement with the Department of Social Services from paying this assessment.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Social Services

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large, circular initial "J" and a cursive "Jarrett".

Jeanne Jarrett, CPA
Director
March 13, 2000